America's
Congressional Black Caucus
Established 1971

COMMISSION ON BUDGET DEFICIT, ECONOMIC CRISIS & WEALTH CREATION REPORT

STATEMENT OF PURPOSE
OF THE CONGRESSIONAL BLACK CAUCUS, 1971

Since the Members of the Congressional Black Caucus (at times referred to herein as the "CBC" or "Caucus") have joined together to strengthen their efforts to empower America's neglected citizens—including but not limited to Americans of color—by more effectively addressing our legislative concerns. **The Congressional Black Caucus is committed to utilizing the full constitutional power, statutory authority, and financial resources of the Government of the United States of America to ensure, insofar as possible, that everyone in the United States has an opportunity to live out the American Dream.** The legislative agenda of universal empowerment that the Members of the Caucus shall collectively pursue shall include, but are not limited to: the creation of universal access to a world class education from birth through post secondary level; the creation of universal access to quality, affordable health care and the elimination of racially based health disparities; the creation of universal access to modern technology, capital, and full, fairly-compensated employment; the creation and or expansion of UA foreign policy initiatives that will contribute to the survival, health, education, and general welfare of all peoples of the world in a manner consistent with universal human dignity, tolerance, and respect, and such other legislative action as a majority of the entire CBC membership from time to time may support.

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February 15, 2011

Dear Friend:

Our nation's communities of color have been hit hardest by the effects of the recession as they continue to experience disproportionately higher rates of unemployment, home foreclosure, educational disadvantages and economic hardship. As a result, vulnerable communities are increasingly relying on public programs to meet their basic needs.

At the same time, the federal government is experiencing substantial fiscal stress due to lagging economic growth and longstanding imbalances in fiscal policies. Accordingly, reducing the federal deficit has now become a key priority of both the Administration and leaders in Congress from both the major parties.

A glaring omission from various debt reports is a thoughtful analysis of how their recommendations will affect the nation's most economically vulnerable populations. With an eye toward developing policy options aimed at avoiding adverse impacts on the nation's most vulnerable communities, we as the Chairman of the CBC, Chair of the CBC's Budget, Appropriations & Taxation Taskforce and Co-Chair of the CBC's Economic Security Taskforce, hosted a Budget Deficit panel discussion that addressed the federal budget deficit while protecting important safety net programs. The Congressional Black Caucus convened a Commission on the Budget Deficit, Economic Crisis and Wealth Creation. Members of the Commission included top economists, and business leaders to discuss important issues related to the Budget.

These important policy discussions led to some very interesting findings. Overall we learned rebuilding our economy on the backs of the most vulnerable Americans is something that will not help the country. We cannot win the future by leaving our most vulnerable behind. Our success as a Nation is interwoven in the success of every community.

Sincerely,

Emanuel Cleaver II
Chairman

Maxine Waters
Co-Chair

Robert C. "Bobby" Scott
Co-Chair

AMERICA'S
CONGRESSIONAL BLACK CAUCUS
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EXECUTIVE SUMMARY

The Congressional Black Caucus (CBC) has a long history of presenting fiscally sound and responsible alternatives to the budgets offered by both Republican and Democratic majorities in Congress. In light of the deficit reduction recommendations made by the National Commission on Fiscal Responsibility and Reform, we are concerned that draconian austerity measures will directly impact and harm our communities.

A glaring omission from various debt reports is a thoughtful analysis of how their recommendations will affect the nation's most economically vulnerable populations. Recognizing this, the CBC formed its own debt commission to focus on the recession – particularly on communities of color – as well as approaches to deficit reduction and their implications for vulnerable populations and the nation at large.

The CBC's first-ever "Commission on the Budget Deficit, Economic Crisis, and Wealth Creation" addresses the federal budget deficit while protecting important safety net programs needed by our communities.

The national debt--that is the total amount that the Federal government owes to others--has grown rapidly in the past decade and reached 62 percent of Gross Domestic Product (GDP) in 2010. This is a source of concern for many. A large debt can be problematic for at least two reasons. First, the larger the debt the more concern there is that creditors might not be willing to continue to hold it or increase their holdings. Second, this debt has to be serviced through interest payments

There are a number of ways of approaching deficit reduction without making vulnerable populations bear a disproportionate burden. One solution is to put at least part of the burden for closing the gap on the revenue side, through increases in taxes or introduction of new taxes. There are also ways of reducing or modifying programs so the entire burden is not placed upon low-income and vulnerable communities.
Today, many Americans are facing the challenge of economic recovery, enduring weakness in the housing market, and persistently high unemployment. Our nation's communities of color have been hit hardest by the effects of the recession as they continue to experience disproportionately higher rates of unemployment, home foreclosure, educational disadvantages, and economic hardship. In fact, the most recent unemployment numbers show the African American unemployment rate in January 2011 at 15.7%--several points higher than the overall number. As a result, vulnerable communities are increasingly relying on public programs to meet their basic needs.

In this economic climate, lawmakers dedicated to addressing the core interests of their constituents must make rapid, private sector job growth a top priority. This objective cannot be effectively pursued if the United States loses its standing as a leader in the global economy. A vibrant and dynamic marketplace is the bedrock of long term declines in unemployment. As such, the US must make significant investments in education, infrastructure, and research and development and all programs that provide a high return on investment for every dollar spent. An example of this is Community Development Block Grants which give a $1.62 to $4 return for every dollar invested.

The CBC's first-ever "Commission on the Budget Deficit, Economic Crisis, and Wealth Creation" addresses the federal budget deficit while protecting important safety net programs needed by our communities.

The FY 2012 budget should encourage programs that help to the economy to recover and to spur additional growth, and eliminate programs that while popular with powerful interests, do little to grow the economy overall. Our economic recovery is too fragile right now and draconian spending cuts to vital programs could jeopardize our recovery. Simply "cutting" our way out of the deficit is not possible. We have to remember that with the Federal budget touches lives all over the country. Our fiscal problems are very complex and they need to be addressed, but there is no simple, one-size-fits-all solution. Building upon the recommendations made by this panel, the Congressional Black Caucus will propose a FY 2012 alternative budget that will put us back on the path towards fiscal stability, but not on the backs of the Americans that can least afford it.

In 2010, the United States' debt obligation reached 62 percent of Gross Domestic Product (GDP), rising from 33 percent in 2001 when the federal budget was last balanced.

In 2010, the United States' debt obligation reached 62 percent of Gross Domestic Product (GDP), rising from 33 percent in 2001 when the federal budget was last balanced. In addition, in 2010 federal spending was 24 percent of GDP. Only during World War II was federal spending a larger part of the economy. Also, tax revenues stood at 15 percent of GDP, the lowest level since 1950.

According to Margaret Simms, Director of Low Income Families Project, the larger the debt the more concern there is that creditors might not be willing to continue to hold it or increase their holdings. In addition, this debt has to be serviced through interest payments. Therefore, current debt will require future interest payments that will, in combination with growing Medicare, Medicaid and Social Security payments, crowd out all discretionary spending.

According to the National Commission on Fiscal Responsibility and Reform, the economic recovery will improve the deficit situation in the short run because revenues will rise as people go back to work, and money spent on the social safety net will decline as fewer people are forced to rely on it. But even after the economy recovers, federal spending is projected to increase faster than revenues, so the government will have to continue borrowing money to spend at its current level. The Congressional Budget Office (CBO) projects that if the United States continues on its current course, annual budget deficits will remain high throughout the rest of this decade and beyond, and debt will spiral even higher, reaching 90 percent of GDP in 2020.

In order to move forward in earnest with reducing the national debt and budget deficits the following questions will need to be answered:

1. When should the sincere effort to reduce the debt and deficit begin?
2. How fast should the budget gap close?
3. How much of the budget gap should be reduced through spending reductions and how much through tax increases?

PATHWAY(S) TO REDUCING THE NATIONAL DEBT AND DEFICIT

There are many ways to reduce the national debt by closing federal budget deficit and suggestions have been made by numerous organizations. Four paths drawn from a report of the National Academy of Sciences Fiscal Futures Committee are:

High Path: Would move revenue up toward spending, with the budget eventually reaching about one-third of GDP. As a result, this would create a much larger public sector.

Intermediate Path 1: Spending and revenues rise gradually to about one-fourth of GDP and spending on the elderly population would be constrained to support only modest expansion of other federal spending. The growth rates for Social Security, Medicare, and Medicaid would be slower than under current policies. This path reflects the view that the federal government should make selective new public investments to promote economic growth, preserve the environment, and build for the future.

Intermediate Path 2: Spending and revenues would eventually rise to a little more than one-fourth of GDP. Spending growth for health and retirement benefits for the elderly population would be slowed but less constrained than in the intermediate-1 path. Spending for other federal responsibilities would be reduced. This path reflects the view that the government's implicit promises for the elderly are a higher priority than other spending.

Low Path: Pull spending towards revenues which will be in the area of 18-19 percent. However, this would require a much smaller public sector and ultimately lead to cuts in many public programs.

Low-Income Support Programs by Race and Ethnicity, U.S. Total (percent)

Program	White	African American/Black	Hispanic	Other	Native American	Asian	Hawaiian	Multi-Racial	Unknown	Total (Number)
Temporary Assistance for Needy Families (TANF) - Active Cases, Percent Distribution of TANF Families by Ethnicity /Race, October 2007 - September 2008*	31.5	34.2	28	NA	1.3	2.3	0.6	1.2	0.3	1,629,345
Supplemental Nutrition Assistance Program (SNAP) - Participating Households by the Race of the Household Head, FY2009**	34.4	21.4	9.7	NA	3.6	2.5	NA	0.1	21.5	14,981,000
Medicaid - Distribution of the Nonelderly with Medicaid by Race /Ethnicity, 2009***	43	21	28	8	NA	NA	NA	NA	NA	44,144,600
Earned Income Tax Credit (EITC) - Characteristics of the EITC-Eligible Population, Tax Year 1996****	50.8	22.2	20.7	6.3	NA	NA	NA	NA	NA	NA

PROGRAMS TO PROTECT

SAFETY NET & WORKFORCE DEVELOPMENT

Public programs like Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Social Security, Medicare, Medicaid, Earned Income Tax Credit (EITC), and others are necessary to maintain the stability of vulnerable communities.

- Social Security

The Joint Center for Political and Economic Studies with the support of the American Association of Retired Persons reported that African Americans benefit significantly from the Social Security program. This includes as retirees, as disabled workers or their dependents, and as survivors of deceased workers. Although black Americans are more likely than white Americans to receive retirement benefits and survivor benefits, their return from taxes paid into the Social Security system exceed that of white. In addition, older African Americans are more dependent on these benefits. Conversations about this reform must include these population whose dependence Americans and other racial/ethnic subpopulations whose dependence on the system is great but whose patterns of usage may differ from the "norm."

Social Security is an integral part of the nation's social safety net. In the event of disability, death or retirement, Social Security benefits are available to a worker and/or to the worker's dependents. Social Security benefits are often the only source of income for African Americans, especially for retirees. For two of every five African American retiree households age 65 or older, Social Security benefits are the only source of support.

- Unemployment Insurance

The unemployment insurance system, like Social Security, is one of the great innovations in federal policy that came out of lessons learned during the Great Depression. Helping stabilize demand for goods and services by smoothing the income of unemployed workers keeps more people employed—if a loss of income means a drop in consumption, the drop in demand for food and clothes means a drop in demand for grocery clerks and salespeople. If we rely on workers increasing their savings to "insure" themselves from unemployment spells, that only makes drops in demand steeper; precisely what occurred in 2009 when the unprecedented drop in demand for automobiles brought the U.S. auto industry to bankruptcy. The multiplier effect—the circulation of spending—from unemployment benefits is among the largest for any federal outlay.

The unemployment insurance system is run at the state level, with states setting eligibility and benefit amounts, and the federal government establishing minimal guidelines on unemployment insurance tax levels. During job expansions, states build up reserves in their system because more taxes come in than benefits are paid out. Ideally, states would build up reserves into a trust fund large enough to cover benefits if the economy started losing jobs.

The budget proposes addressing the potential increase in payroll taxes that would tax place this year. But, the National Urban League Policy Institute and the Kirwin Institute at the Ohio State University have documented a sizeable disparity in unemployment benefit recipiency for African American and Latino workers. Those disparities are the result of variations in the state unemployment insurance programs; the same variation that has resulted in the insolvency of the program. States should be required to set uniform standards that make access to unemployment insurance the same for all American workers. States with low recipiency rates, and low benefits, make the unemployment insurance system less effective as a stimulus to protect jobs; so we all lose from those states that have small unemployment insurance programs. African Americans have the highest unemployment rates, and so solving the current crisis in solvency should also address the lower rate of African American unemployed workers who get unemployment benefits.

- Workforce Investment Act (WIA):

African Americans are almost twice as likely to be enrolled in a workforce program as their representation in the overall population would suggest. At a time when the nation is recovering from the deepest recession in our lifetime, it is unwise to cut spending. However, if we must cut spending, the nation's safety net should be preserved since so many Americans rely on that safeguard for their survival.

- Medicaid

During this recession, Medicaid enrollment has grown by 8% nationally. Medicaid is only 7% of the budget but provides healthcare for 19% of the population. Almost half of these persons are children. Medicaid is also an important source of health insurance coverage for African Americans and Hispanics as over 21% of African Americans and 27% of Hispanics are enrolled in Medicaid. The current economic climate and state fiscal environment threaten access to healthcare for Medicaid beneficiaries since many states have proposed Medicaid cuts to close their budget gaps. The 2009 American Recovery and Reinvestment Act provided relief to states through an enhancement in the federal matching rate (FMAP). This relief prevented cuts in Medicaid in FY 2010. Unfortunately, the enhanced FMAP has expired and states are announcing cuts Medicaid for FY 2011. States are announcing reductions in benefits (e.g. dental, hearing, vision, transplants, and adult services), eligibility, provider reimbursements (nursing homes, physicians, and hospitals) and an increase in cost sharing. Medicaid cannot sustain current levels of reduction at the federal level. Further reductions in the FMAP or failure to authorize spending to support Medicaid expansion will jeopardize care for poor especially low income African Americans and Hispanics. Cuts will result in the poor delaying care until they are forced to seek expensive emergency services, a practice which will only increase healthcare costs in the long run.

- Medicare

Opponents of Medicare grossly underestimate the importance of the program to the most vulnerable pockets of society. Medicare is the safety net for our seniors, especially minority seniors, as 67% of African American and 70% of Hispanic Medicare beneficiaries are poor or near poor, i.e. below 200% of federal poverty levels. These low income beneficiaries cannot afford to supplement their coverage with Medigap policies nor do they have employer-sponsored insurance for retirees. Without Medicare, younger generations will be responsible for the overwhelming cost of care to their parents and grandparents which could wipe out families' savings and jeopardize financial resources needed to sustain homes or fund children's educations.

Opponents of Medicare spending fail to recognize that cuts will eventually result in higher costs and threaten families’ financial viability.

BECAUSE African American and Hispanic Medicare beneficiaries have limited financial resources to supplement their Medicare coverage, the closing of the Medicare part D 'doughnut hole' is a very important provision for minority seniors. More than one in four beneficiaries reach the Medicare coverage gap where they face the full cost of their prescribed medicines. The Affordable Care Act (ACA) addresses this access problem by reducing the price of brand name drugs by 50% thereby allowing seniors access to their prescriptions and a eliminating the need to choose between medicine and other life necessities. Opponents of Medicare spending fail to recognize that cuts will eventually result in higher costs and threaten families' financial viability. could wipe out families' savings and jeopardize financial resources needed to sustain homes or fund children's educations.

PROPOSED AVENUES TO MAINTAIN THE MEDICARE BUDGET:

- Only 43% of Medicare's budget comes from general revenues. Medicare has a dedicated tax base that could be adjusted to meet the needs of future generations.
- Raising the payroll tax ceiling and adjusting the eligibility age are appropriate measures to take to preserve Medicare for another generation.

Distribution of Medicaid and Medicare Beneficiaries by Race and Hispanic Origin (in Percentages)

	Medicaid	Medicare
Black	21.2	10.6
Hispanic	27.2	7.6
Asian	4.0	3.0
White	44.1	77.7
Other	2.9	1.1
Total	100.0	100.0

Source: Table C-2 Health Insurance Coverage by Race and Hispanic Origin: 1999 to 2009 DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-238, *Income, Poverty, and Health Insurance Coverage in the United States: 2009*, U.S. Government Printing Office, Washington, DC, 2010.

Percent of Population Enrolled in Medicaid and Medicare

	Medicaid	Medicare
Black	27.1	11.9
Hispanic	26.5	6.7
Asian	13.9	9.3
White	10.7	17.1
Total	15.7	14.3

Source: Table C-2 Health Insurance Coverage by Race and Hispanic Origin: 1999 to 2009 DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-238, *Income, Poverty, and Health Insurance Coverage in the United States: 2009*, U.S. Government Printing Office, Washington, DC, 2010.

Community Public Health Infrastructure and the Affordable Care Act (ACA)

Smaller health agencies like the Centers for Disease Control and Prevention (CDC), the Health Resources and Services Administration (HRSA) and Substance Abuse and Mental Health Services Administration promote community health and are particularly beneficial to vulnerable populations. Programs sponsored by these agencies are critical to addressing health and health care disparities that negatively affect communities of color. Communities of color suffer from, among other things, higher rates of mortality and morbidity and have lower access to quality healthcare services. A number of agency-sponsored programs promote disease prevention and access to health screening, fight against communicable and chronic diseases, fund community health centers, train physicians and other healthcare workers, provide substance abuse treatment, and offer many other community-based services to which low-income citizens would have little access otherwise. Even small cuts to these agencies can have a large impact that will be disproportionately felt by the most defenseless members of our society.

Efforts to hinder the ACA could have devastating effects on African Americans, Hispanics and other communities of color. Currently, African Americans and Hispanics currently have extremely high rates of uninsurance (i.e., 23% and 34% respectively). Under the ACA, the number of uninsured persons will drop dramatically from 49 .9 to 22.1 million, many of whom are below 200% of federal poverty line (FPL). This is due to the proposed Medicaid expansion to 133% of FPL, the inclusion of childless adults, and the creation of Health Insurance Exchanges and subsidies to small businesses that will make health insurance more affordable for small businesses, their employees, and low wage earners. Also, the ACA provides resources to expand community health centers in underserved communities which will reduce geographic barriers to care for communities of color that disproportionately face health provider shortages.

The ACA also positions the nation to address health and health care disparities that cost the government $1.2 trillion every four years. ACA elevated the National Center for Minority Health and Health Disparities to institute status to help elucidate the causes of disparities and find solutions. ACA also requires the collection of health information by gender, race, ethnicity, primary language, and disability status to help public health agencies and other health organizations address health and healthcare disparities.

How to reduce the deficit **WITHOUT** cutting programs.

TAXES

- One of the proven successful options to close the budget gap on the revenue side is through increases in taxes or introduction of new taxes. The economy would be in better shape had the 2001 and 2003 tax cuts had not been enacted. These cuts alone cost the nation $1.3 trillion dollars in revenue. It is estimated that the extension of those cuts in 2010 are going to cost $860 billion. Reinstating these taxes would do much to lower our deficit. New taxes such as a financial speculation tax would also help. It would generate revenue and not incentivize short-term speculating and would be a help build a safer financial sector.

REDUCING OR MODIFYING PROGRAMS:

- Modify the Social Security programs by increasing the contribution cap, that is the percent of earnings on which FICA payroll taxes are levied, to 90% of earnings, schedule modest future rate increases now so people have time to adjust their private retirement planning, and treating all supplemental retirement annuities like 401Ks, which would mean they would be subject to FICA and Medicare taxes (but not income taxes). These measures would generate sufficient revenues to close the projected gap in the Trust Fund and allow for better benefits for vulnerable populations. (Source: National Academy of Social Insurance, Strengthening Social Security for the Long Run, 2010)

- Reduce domestic discretionary programs through selective combinations of funding reductions to some programs and block granting of other programs that go to state and local governments, based on program objectives and effectiveness measures. Programs that were not judged to be effective would be reduced or eliminated. In the case of block granting, states would be responsible for program administration and could choose to supplement the block grants with their own funds. (Source: National Academy of Sciences, Choosing the Nation's Fiscal Future, 2010)

Today many Americans confront a tenuous economic recovery, enduring weakness in the housing market and persistently high unemployment. This context demands that lawmakers sharpen their focus on strong economic growth, enhanced competitiveness and increased job creation. In January, according to the Bureau of Labor Statistics, overall unemployment fell 0.4% and rests at 9%. Even with this decline, the January unemployment represents the twenty-first consecutive month with rates this high since the Great Depression.

The January decline in African American unemployment was even more modest. African American unemployment fell 0.1%, from 15.8% in December 2010 to 15.7% in January 2011. While African Americans make up only 12% of the population, they represent 20% of the unemployed. Innovative and carefully conceived policy measures are needed to improve the employment prospects of over 2.8 million unemployed African Americans and more than 14 million unemployed Americans from all walks of life.

Obviously in this economic landscape, lawmakers dedicated to addressing the core interests of their constituents must make rapid job creation a top priority. This objective cannot be pursued effectively if the United States loses its standing as a leader in the global economy. A vibrant and dynamic marketplace is the bedrock of long term declines in unemployment. As such, the US must make significant investments in education, infrastructure, and research and development. Recent decades have seen a marked decline in US competitiveness in these sectors.

The American Society of Civil Engineers recently issued a grade of "D" to the country's roadways. America's higher education system, once the envy of the world, was recently ranked 18th out of 36 industrialized nations by the Organization for Economic Cooperation and Development. Math, science and reading proficiency levels among US elementary students received similarly average rankings. Dr. Algernon Austin of the Economic Policy Institute foregrounds a range of sobering statistics that place these deficiencies in context:

- The U.S. ranked 20th out of 24 countries in providing early childhood education
- The U.S. ranked 12th out of 36 countries in college completion rates
- U.S. Schools need nearly $300 billion of required maintenance
- 29% of all U.S. transit assets are in poor or marginal condition
- The U.S. ranked 15th out of 30 nations in broadband penetration

In the immediate wake of "The Great Recession" lawmakers must intensify efforts to confront these challenges and to counter the attendant prospects of long term poverty and unemployment. Targeted investments in clean energy, highway infrastructure, biomedical research and information technology can stimulate growth in the short term and expand economic capacity in the long term.

In the immediate wake of "The Great Recession" lawmakers must intensify efforts to confront these challenges and to counter the attendant prospects of long term poverty and unemployment. Targeted investments in clean energy, highway infrastructure, biomedical research and information technology can stimulate growth in the short term and expand economic capacity in the long term.

If carefully instituted, these types of targeted investments can operate in conjunction with much needed attempts to cut the deficit. As President Obama remarked in the State of the Union Address, "Cutting the deficit by gutting our investments in innovation and education is like lightening an overloaded airplane by removing its engine." The ill-conceived

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approach to deficit reduction captured by the President's analogy should be particularly worrisome for lawmakers who seek to directly address the daily needs of African Americans. As is widely known, even in good economic times the unemployment rate for African Americans has hovered at approximately twice that of the overall American population. Moreover, the lending and hiring practices of much of the private sector have done little to inspire broad confidence among African Americans. As a result, legislation must be crafted that incentivizes the creation and development of minority-owned and woman-owned businesses and hiring of the chronically unemployed.

Recently, competing policy and budget priorities have left early childhood education grossly underfunded. According to the National Head Start Association, less than 40% of children eligible for Head Start and less than 2% of toddlers eligible for Early Head Start have been able to fully access the services offered by these programs. Investing in these programs not only prepares a new generation of Americans for academic excellence, but also expands the range of employment alternatives that can be pursued by low-income parents desperately in need of quality childcare.

Investments in the formative years of childhood development have proven essential as a means of inculcating strong cognitive and social skills in all children. Since the program's inception in 1965 nearly 25 million low-income children and families have benefited from Head Start's comprehensive approach to childhood education. And from a fiscal standpoint, the return on investment is extremely encouraging. According to a recent study, the US receives $9 in benefits for every $1 dollar invested in Head Start. Children who have reaped the rewards of Head Start are less likely to engage in criminal behavior later in life, less likely to become a drain on America's social safety net and more likely to graduate from high school and college. These higher graduation rates greatly increase the earning potential of former Head Start participants so that they can substantively contribute to the tax base of economically marginalized communities.

Even when fully prepared for prevailing employment opportunities, African American youth confront discrimination in labor markets. Field experiments have demonstrated that white employees generally are preferred over black employees, regardless of the relative qualifications of the latter versus the former. For example, a field experiment in Milwaukee demonstrated that among males of similar age and educational attainment, whites with criminal records have greater odds of landing employment than blacks with no criminal record. Among young adults, 18-25 years of age, the unemployment rate consistently is 10-12 points lower for whites who have not finished high school than blacks who have had some college education. Therefore, mechanisms need to be put in place to insure that there is greater equity in the opportunity to work after young people successfully have navigated the schooling experience.

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In addition to molding healthier and more academically proficient children, early childhood education often provides mothers the opportunity to effectively enter the labor force. Numerous studies indicate that in many low-income households, African American households in particular, the mother is the sole breadwinner. According to the Department of Labor roughly 3 out of every 5 single mothers with children under age 6 are employed and often face an economically debilitating "time crunch." These women need access to affordable and quality child care, not only to help improve their children's lives, but even more critically to improve the prospect of social mobility for the entire family.

In sum, investments in early childhood education are more necessary than ever. Short-sighted deficit reduction will hamstring opportunities for all disadvantaged children to attend high-quality schools in general, especially pre-kindergarten and will compromise ongoing efforts to increase the number of teachers dedicated to serving impoverished communities. Substantive educational investments now will create durable job growth in the field over the long term—while at same time helping to ensure that all children in the United States receive a 21st century education. Nothing is more pivotal as America seeks to maintain its economic competitiveness and dynamism.

Likewise, increased economic productivity hinges upon progress in revitalizing our nation's infrastructure. As a string of recent tragedies suggests, vital sectors of the US infrastructure are crumbling. Investing in roads, dams, sewers, bridges and ports—the lifeblood of daily commerce—is one of the most efficient means to rapidly boost economic growth. For example, investments in transportation infrastructure have produced demonstrable economic ripple effects. It is estimated that for each billion dollars spent on transportation infrastructure, 47,000 jobs are created. Mark Zandi, a leading economist, determined that every one dollar invested in infrastructure yields $1.57 of additional economic benefit.

Improvements in transit systems are also critical in order to secure gains in the quality of life of millions of working Americans. Public transit is obviously cheaper than owning and operating a vehicle. The rising cost of maintaining a vehicle—fuel and parking, for instance—make public transit an even more vital resource for low-income populations. Modernizing and expanding transit systems could help these populations to save money and provide them access to employment opportunities across greater distances. The President's commitment in the State of the Union Address to provide 80% of Americans access to high speed rail within the next 25 years is a pioneering step in the right direction.

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Advances in transportation infrastructure make the United States economy as a whole more competitive. To illustrate, if roads are deteriorating and transit systems are unreliable, the flow of American goods and services is hampered. Poorly maintained highways and railways cripple shipping routes, deliveries run late or products are never received. In order to ensure that myriad opportunities for economic innovation are not squandered, investment in transportation infrastructure is of singular import.

This investment will also help to sustain one of the industries most impacted by the recent economic downturn: construction. While employment in manufacturing, retail and healthcare is growing, the construction industry remains in decline. According to The Bureau of Labor Statistics, in the month of January alone, 22,000 construction jobs were lost. Investments in infrastructure today will fuel enduring job growth in construction, transportation and technology tomorrow. Facilitating the expansion of these industries will ensure that United States remains a dominant economic force for years to come.

This vast array of needs in the maintenance and expansion of our nation's human and physical infrastructure motivate the establishment of a major public sector jobs program. Such a program would afford all citizens guaranteed employment. In many instances -- including the current economic crisis -- the private sector has not been able to take care of the public need in the realm of job creation. Furthermore, it has been shown that it always more difficult for the private sector to end the disparity in unemployment and wages between African Americans and the overall population, particularly given the presence of discrimination in hiring.

A proposal similar to that jobs programs created in the 1930s and 1970s, but one that would be permanent and universal, would address America's employment crisis in a direct fashion. The scale and funding of the program would change counter-cyclically in response to increases and decreases in private sector hiring nationwide. For example, if all of the 15 million persons unemployed during the Great Recession were put to work in the public sector jobs program at a mean expense of about $50,000 per person (salary, materials and equipment, benefits including health insurance), the program would cost $750 billion.

The net expense would be considerably lower because the existence of program of this type would facilitate substantial savings in other social insurance programs, including unemployment compensation, food stamps, free and reduced lunch benefits in public schools, TANF, EITC, and so forth. Indeed, the federal job guarantee could function as a mechanism to eliminate poverty among both the unemployed and the working poor by providing a guarantee of the opportunity to work at a decent wage. Incomes received by employees in the public sector jobs program also would alleviate the home foreclosure crisis, which now is increasingly driven by the lost wages associated with high unemployment.

"The program envisioned would place special emphasis on delivering job opportunities and needed services to low-income communities and communities of color suffering depression level unemployment and distress."

Run by local elected officials who are closest to our communities and best understand their needs, this jobs program would collaborate with community organizations, labor and other community leaders to identify the projects that would be most beneficial.

Predicated on the discussion above, projects that newly employed people might undertake include:

- Paint and repair schools, community centers, and libraries;
- Clean up abandoned and vacant properties to alleviate blight in distressed and foreclosure-affected neighborhoods;
- Expand emergency food programs to reduce hunger and promote family stability;
- Augment staffing in Head Start, child care and other early childhood education programs to promote school readiness and early literacy; and
- Renovate and enhance maintenance of parks, playgrounds and other public spaces.

The program envisioned would place special emphasis on delivering job opportunities and needed services to low-income communities and communities of color suffering depression level unemployment and distress. If acted upon quickly a jobs program like this could put hundreds of thousands of people to work during this calendar year and would continue to provide a quality job option for all citizens on a permanent basis.

Finally, investments in workforce also are essential, particularly for minorities and women in the financial services industry. According to the Securities Industry and Financial Markets Association, the financial services industry accounts for 6 percent of total private non-farm employment in the United States or about 10 million jobs, and represents 6 percent, or $828 billion, of the nation's Gross Domestic Product. Employment opportunities in certain sectors of the industry, like securities, are expected to increase by 12 percent over the next 7 years. Jobs in the financial services industry are highly profitable. For example, according to the Bureau of Labor Statistics, in 2009 financial analysts earned an average hourly wage of $40.98 an hour, $25.03 more than the national average hourly wage for all occupations of $15.95. It is clear that the financial services industry offers jobs and opportunities that can lift families and individuals from poverty, can improve their living situations, and can assist in building strong, vibrant communities.

Minority- and women-owned businesses face significant challenges in participating in the financial services industry ...

However, opportunities for minorities and women in this industry remain limited. According to a 2008 report by the Government Accountability Office (GAO) from 1993 to 2006, the level of minority participation in the financial services profession only increased marginally from 11 percent in 1993 to 15.5 percent in 2004. Participation rates among African-Americans rose slightly from 5.6 percent to 6.6 percent. Asian participation rates rose from 2.5 percent to 4.5 percent and the participation rate of Hispanics only rose from 2.8 percent to 4 percent. In addition, the GAO found that only 12.4 percent of management level positions at holdings and trusts are held by minorities and that the securities industry is the least diverse of all financial services industries with minority men and minority women making up 8.7 percent and 6.4 percent of management positions in this sector.

The employment of minorities and women by the government's financial services agencies is limited also. According to the Office of Personnel Management, minorities comprise only 17.4 percent of Federal economists; 18.1 percent of Federal financial management positions; and 18.7 percent of financial institutions examiners. At the Treasury Department, for example, minorities only make up 17.2 percent of employees at senior pay levels. Meanwhile, nationally, minorities comprise 30.5 percent of the civilian labor force. The level of minorities at senior pay levels in the government's financial services agencies is also problematic. Still using Treasury as an example, the average pay grade for African-American employees is 8.8. The average grade for Hispanic employees is 8.3. Compared to the average grade for White employees, which is 9.6, it becomes clear that there's a clear disparity in, not only earnings, but seniority at Treasury in particular.

Only 2.4 % of all minority—owned firms and 2.6 % of women—owned firms are in the finance and insurance industries.

Minority- and women-owned businesses face significant challenges in participating in the financial services industry, including starting up their businesses, raising capital, and contracting with the Federal government, including contracts related to the economic recovery. Only 2.4 percent of all minority-owned firms and 2.6 percent of women-owned firms are in the finance and insurance industries. According to data from the Minority Business Development Agency, minority-owned businesses were more likely to rely on credit cards as a source of start-up capital than non-minority firms and were less likely to rely on savings or loans from banks. In addition, only 5.7 percent of African American firms and 5.6 percent of Hispanic firms obtained bank loans to start their business, compared to 12 percent of non-minority firms. According to a 2006 GAO report, minority-owned business have a higher rate of having their loans denied or of paying higher interest rates, even after controlling for creditworthiness and other factors.

Due to these challenges and lack of participation of minorities and women, Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Public Law 111-203) directed each financial services agency to establish an Office of Minority and Women Inclusion to develop standards to ensure equal employment opportunity and the racial, ethnic and gender diversity of the agency's workforce and senior management; increase the participation of minority- owned and women-owned businesses in the programs and contracts of the agency, including the coordination of technical assistance; and assess the diversity policies and practices of entities regulated by the agency. The legislation required the Offices to be established by January 21, 2011. These Offices will increase the participation of minorities, women, and minority-and women-owned businesses in the financial services industry and should be supported. The model presented by the Offices could provide a template for other industries and agencies where minority participation is lacking.

The FY 2012 budget should encourage programs that help to the economy to recover and to spur additional growth, and eliminate programs that while popular with powerful interests, do little to grow the economy overall. Our economic recovery is too fragile right now and draconian spending cuts to vital programs could jeopardize our recovery.

The Dow Jones Industrial Average has already recovered to pre-crisis levels. Corporations are sitting on hundreds of billions of capital in relatively comfortable positions. The interventions taken by the government to bolster the financial industry were successful, but the government has not had the same success addressing the root of the crisis and the one that still impacts the lives of the most Americans– the foreclosure crisis.

A key place the FY 2012 budget could address the continued economic hardships of Americans and the deficit problem would be to re-program funds for the Home Affordable Modification Program (HAMP) and develop successful solutions to help millions of families keep their homes. By investing in programs that promote and assist asset building in minority and low income communities, the FY2012 budget can begin to lift millions of Americans, of all races and backgrounds out of poverty and placed on the path towards the middle class.

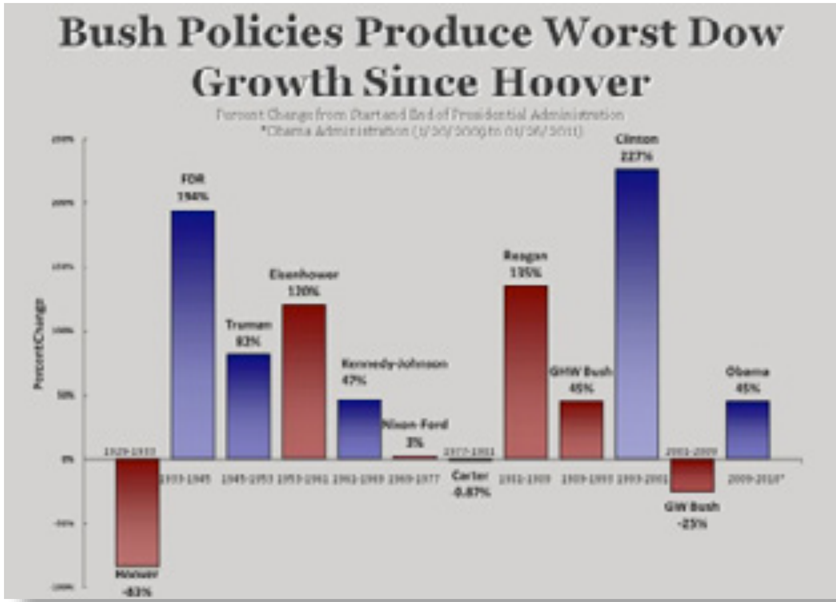
Extending all of the Bush-era tax cuts, especially those for the wealthiest Americans, for two years is not the best way to begin addressing the deficit. In the forum I proposed an analogous statement "I plan to start my diet by eating cake and ice cream" to illustrate the hypocrisy. We need to get serious about our deficit but we must also maintain focused investments to accelerate our recovery.

The FY2012 budget should adopt many of the President's proposals outlined in his 2011 State of the Union address – continued and sustained investments in education, advanced research and development, clean energy, and our nation's crumbling infrastructure. The United States will not be able to compete in the global economy if we can't ensure a quality education for every American child, if we can't effectively address our energy needs, and if we can't manage to efficiently transport goods and services.

The U.S. has a long structural racial inequality problem, particularly in the realm of wealth, which is a paramount indicator of well-being, and the only way to address this problem is with public actions. Ironically, the nation's wealthiest households and corporations have and continue to receive the disproportionate share of public subsidies.

Getting the economy moving is the prime way to reduce the deficit. Recognizing this it is vital we bolster economic opportunity for all American's through both short- and long-term investment – investment that not only improves individual American citizen's economic opportunity, but expands the productive capacity of the broader American economy. The current focus on deficit reduction focuses on further limiting government's spending on programs that generally aid families that need that help the most and that have received the lest support during the current economic downturn.

Efforts to increase savings among the general public through tax reform and policy programs will increase the national saving rate, even while the government invests more to encourage growth. Stabilizing the mortgage crisis and promoting asset development will have the most impact on helping lower and middle class Americans recover from the recession, and in turn help the overall budget deficit picture. One of the most direct programs to increase savings and create wealth through asset development across all income brackets would be the development of some type of mandatory savings or endowment program instituted at birth.



There is no silver bullet to addressing the federal budget deficit. However, we must have an honest discussion on how we can get our fiscal house in order. President Clinton left President Bush with a ten year projected surplus of $5.6 trillion in 2001 but President Bush on January 20, 2009 left President Obama with a $ 1.2 trillion deficit. Additionally, that this was the deficit on day one of the Obama Administration, weeks before the President enacted a single piece of legislation and the American Recovery and Reinvestment Act.

The failed economic policies of the Bush Administration led to this enormous deficit –

- the 2001 and 2003 tax cuts totaled $1.3 trillion over ten years, in which most of the tax relief went to the top 1% of income earners;
- a Medicare Prescription Drug benefit with a ten year cost of nearly $1 trillion that was not offset;
- Two overseas wars that are nearing a cost of $1 trillion;

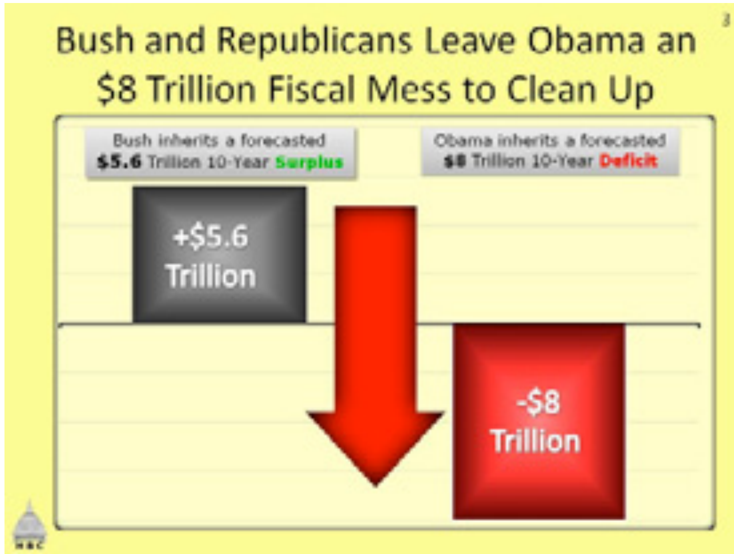
- A $700 billion bailout of Wall Street banks; and
- All these unpaid for policies were compounded by the worst economic recession in 70 years that began in 2007 which led to huge shortfalls in federal tax revenue and increased reliance on unemployment insurance and other federal social safety net programs.

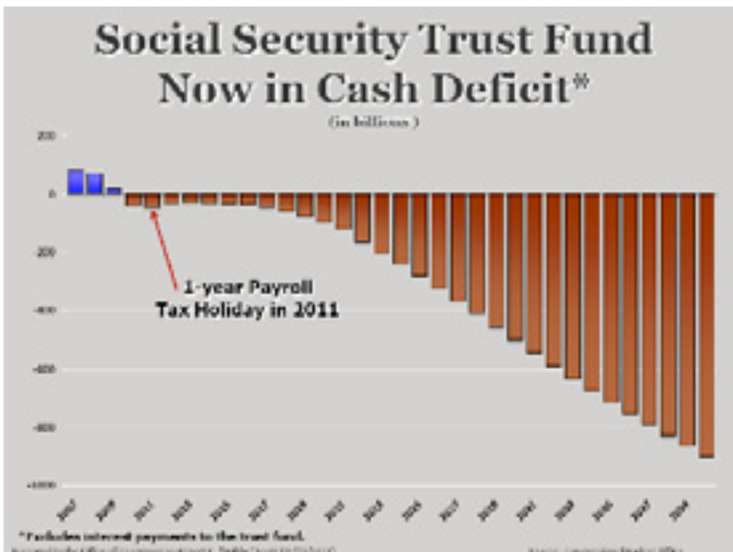
America is in need of a long-term economic competitive strategy that ensures more than just positive GDP but provides full employment, economic mobility, and shared prosperity for all. To that end, American needs a savings and investment system for the 21st century. America should strive for refitted tax policy that operates through robust tax credits to promote new savings amongst low- and moderate-income Americans in an effort to foster new investment and financial stability to help grow our economy. The federal government should take a long hard look at their asset promoting policies in general given that the most affluent benefit far more from the programs than the less affluent.

While the personal savings rate is only one component of overall national savings, an analysis of 2005 data found that increasing the personal savings rate among the bottom 40% of households by only about $10 per week ($500/year) would increase the overall net national savings rate by 26% (Johnson, Mensah, Steuerle, 2006). A substantial transformative policy like the "baby bonds" is such a policy. The "baby bond" plan would progressively rise to $50,000 or $60,000 for children in families in the lowest wealth quartile and accessible once the child turns 18 years of age. Eligibility for such a program would be based upon the net-worth position, rather than the income, of the child's family. Although this seems large, it costs much less than what we currently spend on policies like the home mortgage deduction tax credit which is far less progressive and in general benefits the most affluent Americans.

As efforts go forward to improve American adults retirement savings and preparedness, policymakers should "Add the Kids" to our nation's savings system. Child Accounts are a long-term investment in children and their financial futures. At a time when the outlook for our Nation's youth is fraught with mounting concerns, it is vital we make a significant investment in our children that helps build a secure financial future. By giving every American child a head start on saving, Child Accounts would help every American child build a financial asset for their future, expanding educational, entrepreneurial, and job training opportunities.

It is also imperative to address meaningfully and immediately, the foreclosure crisis that is stripping families of their homes and wealth and weighing heavily on the economic recovery. Failure to move aggressively and tackle the major economic challenges facing the nation, with urgency and commitment, will be detrimental to America's economic leadership and will foster greater economic inequality and further erode public trust and confidence in government.





In order to get these large deficits under control, we have some tough choices to make. How much longer can we afford to extend the Bush-era tax cuts? The President and Congress extended all of them through 2012 at a two year cost of $800 billion and ten year extension of all these tax cuts will cost $3.8 trillion - $3 trillion of which are the popular middle-class tax cuts.

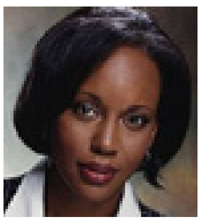
In late January, the Congressional Budget Office released its latest projections of the Social Security Trust Fund. Although Social Security does not contribute to the budget deficit, the treasury has borrowed It was previously projected to go into a cash deficit in 2017, but now CBO has projected that the trust fund is now running a deficit. The trust fund is expected to be exhausted in 2037 and will only take in enough money to fund 75% of promised benefits.

Simply "cutting" our way out of the deficit is not possible. We have to remember that what we do with Federal budget touches everyone. Our fiscal problems are very complex and they need to be addressed, but there is no simple, one-size-fits-all solution. Building off the recommendations made by this panel, the Congressional Black Caucus will propose a FY2012 budget alternative that will put the budget on a path towards fiscal stability but not on the backs of the Americans that can least afford it.

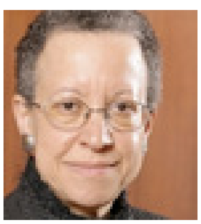
Congressional Black Caucus Commission on the Budget Deficit, Economic Crisis & Wealth Creation.

BALANCING DEMAND FOR RESOURCES AND FISCAL CONSTRAINTS

Darrell J. Gaskin is Associate Professor of Health Economics at the Johns Hopkins Bloomberg School of Public Health and Deputy Director of the Hopkins Center for Health Disparities Solutions. He has also served on the faculties of the University of Maryland – College Park and Georgetown University. His primary research interests are healthcare disparities, safety net providers, and access to care and quality of healthcare for Medicaid, minority, uninsured, and other vulnerable populations. Dr. Gaskin earned his Ph.D. in health economics at The Johns Hopkins University, a MS degree in economics from the Massachusetts Institute of Technology and a BA degree in economics from Brandeis University.



Dr. Maya Rockeymoore is an American policy scholar, noted speaker, author, and media commentator. She is best known as an advocate and analyst in the areas of health, income security, education and civic engagement having appeared as a frequent contributor in print, television, and radio. Prior to her current position as President and CEO of Global Policy Solutions in Washington, DC, she served as Vice President for Research and Programs at the Congressional Black Caucus Foundation, as Chief of Staff to Congressman Charles Rangel and as a professional staffer on the U.S. House Ways and Means Committee. She received her BA from Prairie View A&M University and both her MA and Ph.D. from Purdue University.



Margaret C. Simms is an Institute Fellow at the Urban Institute in Washington, D.C., where she directs the Low Income Working Families project. Prior to joining the Urban Institute in July 2007, she was Vice President for Governance and Economic Analysis at the Joint Center for Political and Economic Studies. She began working at the Joint Center in 1986 as Deputy Director of Research and held positions of increasing responsibility during her 20 year tenure. Prior to joining the staff of the Joint Center, she was a program director at the Urban Institute. Before coming to Washington, DC, Dr. Simms served on the faculties of Atlanta University and the University of California at Santa Cruz. In 1977 and 1978, she was a Brookings Economic Policy Fellow at the U.S. Department of Housing and Urban Development.

William Spriggs was nominated by President Barack Obama as Assistant Secretary for Policy. He was confirmed by the Senate on October 21, 2009.Dr. Spriggs is a recognized expert in labor policy and research. For over 25 years, he has worked as an educator, researcher and advocate for working families and low-income communities. Born in Washington, DC, Dr. Spriggs attended the public elementary schools of the District in the midst of the Civil Rights era, spurring his commitment to public service. After graduating cum laude from Williams College in 1977, he attended the University of Wisconsin-Madison—where he earned a Ph.D. in Economics and served as co-president of American Federation of Teachers Local #3220.

SURVIVING THE RECESSION AND ACCELERATING THE RECOVERY

Algernon Austin directs the Economic Policy Institute's Program on Race, Ethnicity and the Economy (PREE). PREE works to advance policies that enable people of color to participate fully in the American economy and benefit equally from gains in prosperity. As director of PREE, Austin oversees reports and policy analyses on the economic condition of America's people of color. Prior to joining the Economic Policy Institute, Austin was a Senior Fellow at the Dēmos think tank and assistant director of research at the Foundation Center. From 2001 to 2005, he served on the faculty of Wesleyan University. He received his Ph.D. in sociology from Northwestern University.

William A. ("Sandy") Darity Jr. is Arts & Sciences Professor of Public Policy Studies and Professor of African and African American Studies and Economics at Duke University. Previously he served as director of the Institute of African American Research, director of the Moore Undergraduate Research Apprenticeship Program, director of the Undergraduate Honors Program in economics, and director of Graduate Studies at the University of North Carolina. Darity's research focuses on inequality by race, class and ethnicity, stratification economics, schooling and the racial achievement gap, North-South theories of trade and development, skin shade and labor market outcomes, the economics of reparations, the Atlantic slave trade and the Industrial Revolution, doctrinal history and the social psychological effects of unemployment exposure.

Donna Sims Wilson is the new Executive Vice President of Castle Oak Securities. Ms. Sims Wilson, formerly President of M.R. Beal & Company, a leading investment bank specializing in municipal and corporate finance, will be responsible for helping to drive revenue growth and for overseeing new business generation across the firm's various business lines. Ms. Sims Wilson joins CastleOak Securities with over 25 years of experience in equity sales and corporate and mortgage finance. Donna Sims Wilson serves as Chair of the Legislative Committee of the National Association of Securities Professionals, and is Vice Chairman of the Kohl Children's Museum of Greater Chicago and a Board Member of the John G. Shedd Aquarium. She is a graduate of Yale University where she studied political science.

USING THE 2012 BUDGET TO ADDRESS DEFICIT REDUCTION

Jim Carr is Chief Business Officer for the National Community Reinvestment Coalition, an Executive Committee member of Americans for Financial Reform, and a Braintruster (blogger) for the Roosevelt Institute's New Deal 2.0 initiative. Jim is also a former Visiting Professor at Columbia University in New York. Prior to his appointment to NCRC, Jim was Senior Vice President for Financial Innovation, Planning, and Research for the Fannie Mae Foundation, Assistant Director for Tax Policy with the U.S. Senate Budget Committee, and Research Associate at the Center for Urban Policy Research at Rutgers University. Jim testifies frequently before the United States Congress and has appeared on various news outlets. Jim holds graduate degrees in urban and regional planning from Columbia University and University of Pennsylvania and an architecture degree from Hampton University.

Darrick Hamilton is an Associate Professor at Milano The New School for Management and Urban Policy, an affiliated faculty member in the Department of Economics at The New School for Social Research, a faculty research fellow at the Schwartz Center for Economic Policy Analysis, an affiliate scholar at the Center for American Progress, and a former Associate Director of the American Economic Association Summer Research and Minority Training Program. He earned a Ph.D. from the Department of Economics at the University of North Carolina, Chapel Hill in 1999. Professor Hamilton was a Ford Foundation Fellow on Poverty, the Underclass and Public Policy at the Poverty Research and Training Center.

Lisa Mensah is an expert in using financial tools to improve the economic security of the working poor. At Aspen IFS, Ms. Mensah leads a team of financial security experts who study the financial products and public policy solutions that help build wealth from birth to retirement for America's working families. Ms. Mensah began her career in commercial banking at Citibank prior to working 13 years with the Ford Foundation. Serving as Deputy Director of Economic Development for the organization, Ms. Mensah led the Foundation's work in microfinance and women's economic development. She became the leading national funder of individual development accounts (IDAs) – an innovative savings account structured with matching incentives and personal financial training used to finance homeownership, entrepreneurship and education. Under Ms. Mensah's leadership, IDAs grew from an experiment at a handful of sites to become a tool used by hundreds of community organizations in all 50 states. Ms. Mensah holds an M.A. from the Paul H. Nitze School of Advanced International Studies of The Johns Hopkins University and a B.A. from Harvard University.

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